

ASSEMBLY BILL

No. 964

Introduced by Assembly Member Frommer

February 20, 2003

An act to amend Sections 2982, 2982.5, and 2985.8 of the Civil Code, relating to vehicle contracts.

LEGISLATIVE COUNSEL'S DIGEST

AB 964, as introduced, Frommer. Vehicle sale and lease contracts: disclosures.

(1) Existing law requires every conditional sale contract of a motor vehicle to contain specified disclosures.

This bill would require those contracts to include a disclosure of the amount of any optional business partnership automation program fee to register or transfer a vehicle. The bill would also require disclosure of any charge for an optional debt cancellation agreement. The bill would also make related, conforming changes.

(2) Existing law requires every lease contract for a motor vehicle to contain specified disclosures.

This bill would require every lease contract to disclose the amount of any optional business partnership automation program to register or transfer a vehicle. The bill would also make technical, nonsubstantive changes to those provisions.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 2982 of the Civil Code is amended to read:

2982. Every conditional sale contract subject to this chapter shall contain the disclosures required by Regulation Z, whether or not Regulation Z applies to the transaction. In addition, to the extent applicable, the contract shall contain the other disclosures and notices required by, and shall satisfy the requirements and limitations of, this section. The disclosures required by subdivision (a) may be itemized or subtotaled to a greater extent than as required by that subdivision and shall be made together and in the sequence set forth in that subdivision. All other disclosures and notices may appear in the contract in any location or sequence and may be combined or interspersed with other provisions of the contract.

(a) The contract shall contain the following disclosures, as applicable, which shall be labeled “itemization of the amount financed”:

(1) (A) The cash price, exclusive of document preparation fees, taxes imposed on the sale, pollution control certification fees, prior credit or lease balance on property being traded in, and the amount charged for a service contract.

(B) The fee to be retained by the seller for document preparation.

(C) The fee charged by the seller for certifying that the motor vehicle complies with applicable pollution control requirements.

(D) Taxes imposed on the sale.

(E) *The amount of any optional business partnership automation fee to register or transfer the vehicle.*

(F) The amount charged for a service contract.

~~(F)~~

(G) The prior credit or lease balance remaining on property being traded in, as required by paragraph (6). The disclosure required by this subparagraph shall be labeled “prior credit or lease balance (see downpayment and trade-in calculation).”

~~(G)~~

(H) *Any charge for an optional debt cancellation agreement.*

(I) The total cash price, which is the sum of subparagraphs (A) to ~~(F)~~ (H), inclusive.

1 (2) Amounts paid to public officials for the following:

2 (A) Vehicle license fees.

3 (B) Registration, transfer, and titling fees.

4 (C) California tire fees imposed pursuant to Section 42885 of
5 the Public Resources Code.

6 (3) The aggregate amount of premiums agreed, upon execution
7 of the contract, to be paid for policies of insurance included in the
8 contract, excluding the amount of any insurance premium
9 included in the finance charge.

10 (4) The amount of the state fee for issuance of a certificate of
11 compliance, noncompliance, exemption, or waiver pursuant to
12 any applicable pollution control statute.

13 (5) A subtotal representing the sum of the foregoing items.

14 (6) The amount of the buyer's downpayment itemized to show
15 the following:

16 (A) The agreed value of the property being traded in.

17 (B) The prior credit or lease balance, if any, owing on the
18 property being traded in.

19 (C) The net agreed value of the property being traded in, which
20 is the difference between the amounts disclosed in subparagraphs
21 (A) and (B). If the prior credit or lease balance of the property
22 being traded in exceeds the agreed value of the property, a negative
23 number shall be stated.

24 (D) The amount of any portion of the downpayment to be
25 deferred until not later than the due date of the second regularly
26 scheduled installment under the contract and which is not subject
27 to a finance charge.

28 (E) The amount of any manufacturer's rebate applied or to be
29 applied to the downpayment.

30 (F) The remaining amount paid or to be paid by the buyer as a
31 downpayment.

32 (G) The total downpayment. If the sum of subparagraphs (C)
33 to (F), inclusive, is zero or more, that sum shall be stated as the total
34 downpayment and no amount shall be stated as the prior credit or
35 lease balance under subparagraph ~~(F)~~ (G) of paragraph (1). If the
36 sum of subparagraphs (C) to (F), inclusive, is less than zero, then
37 that sum, expressed as a positive number, shall be stated as the
38 prior credit or lease balance under subparagraph ~~(F)~~ (G) of
39 paragraph (1), and zero shall be stated as the total downpayment.

40 The disclosure required by this subparagraph shall be labeled

1 “total downpayment” and shall contain a descriptor indicating
2 that if the total downpayment is a negative number, a zero shall be
3 disclosed as the total downpayment and a reference made that the
4 remainder shall be included in the disclosure required pursuant to
5 subparagraph ~~(F)~~ (G) of paragraph (1).

6 (7) The amount of any administrative finance charge, labeled
7 “prepaid finance charge.”

8 (8) The difference between item (5) and the sum of items (6)
9 and (7), labeled “amount financed.”

10 (b) No particular terminology is required to disclose the items
11 set forth in subdivision (a) except as expressly provided in that
12 subdivision.

13 (c) If payment of all or a portion of the downpayment is to be
14 deferred, the deferred payment shall be reflected in the payment
15 schedule disclosed pursuant to Regulation Z.

16 (d) If the downpayment includes property being traded in, the
17 contract shall contain a brief description of that property.

18 (e) The contract shall contain the names and addresses of all
19 persons to whom the notice required under Section 2983.2 and
20 permitted under Sections 2983.5 and 2984 is to be sent.

21 (f) (1) ~~Where~~ *If* the contract includes a finance charge
22 determined on the precomputed basis, the contract shall identify
23 the method of computing the unearned portion of the finance
24 charge in the event of prepayment in full of the buyer’s obligation
25 and contain a statement of the amount or method of computation
26 of any charge that may be deducted from the amount of any
27 unearned finance charge in computing the amount that will be
28 credited to the obligation or refunded to the buyer. The method of
29 computing the unearned portion of the finance charge shall be
30 sufficiently identified with a reference to the actuarial method if
31 the computation will be under that method. The method of
32 computing the unearned portion of the finance charge shall be
33 sufficiently identified with a reference to the Rule of 78’s, the sum
34 of the digits, or the sum of the periodic time balances method in
35 all other cases, and those references shall be deemed to be
36 equivalent for disclosure purposes.

37 (2) ~~Where~~ *If* the contract includes a finance charge which is
38 determined on the simple-interest basis but provides for a
39 minimum finance charge in the event of prepayment in full, the

1 contract shall contain a statement of that fact and the amount of the
2 minimum finance charge or its method of calculation.

3 (g) (1) ~~Where~~ *If* the contract includes a finance charge which
4 is determined on the precomputed basis and provides that the
5 unearned portion of the finance charge to be refunded upon full
6 prepayment of the contract is to be determined by a method other
7 than actuarial, the contract shall contain a notice, in at least
8 10-point boldface type if the contract is printed, reading as
9 follows: "Notice to buyer: (1) Do not sign this agreement before
10 you read it or if it contains any blank spaces to be filled in. (2) You
11 are entitled to a completely filled-in copy of this agreement. (3)
12 You can prepay the full amount due under this agreement at any
13 time and obtain a partial refund of the finance charge if it is \$1 or
14 more. Because of the way the amount of this refund will be figured,
15 the time when you prepay could increase the ultimate cost of credit
16 under this agreement. (4) If you default in the performance of your
17 obligations under this agreement, the vehicle may be repossessed
18 and you may be subject to suit and liability for the unpaid
19 indebtedness evidenced by this agreement."

20 (2) ~~Where~~ *If* the contract includes a finance charge which is
21 determined on the precomputed basis and provides for the
22 actuarial method for computing the unearned portion of the
23 finance charge upon prepayment in full, the contract shall contain
24 a notice, in at least 10-point boldface type if the contract is printed,
25 reading as follows: "Notice to buyer: (1) Do not sign this
26 agreement before you read it or if it contains any blank spaces to
27 be filled in. (2) You are entitled to a completely filled-in copy of
28 this agreement. (3) You can prepay the full amount due under this
29 agreement at any time and obtain a partial refund of the finance
30 charge if it is \$1 or more. (4) If you default in the performance of
31 your obligations under this agreement, the vehicle may be
32 repossessed and you may be subject to suit and liability for the
33 unpaid indebtedness evidenced by this agreement."

34 (3) ~~Where~~ *If* the contract includes a finance charge which is
35 determined on the simple-interest basis, the contract shall contain
36 a notice, in at least 10-point boldface type if the contract is printed,
37 reading as follows: "Notice to buyer: (1) Do not sign this
38 agreement before you read it or if it contains any blank spaces to
39 be filled in. (2) You are entitled to a completely filled-in copy of
40 this agreement. (3) You can prepay the full amount due under this

1 agreement at any time. (4) If you default in the performance of
2 your obligations under this agreement, the vehicle may be
3 repossessed and you may be subject to suit and liability for the
4 unpaid indebtedness evidenced by this agreement.”

5 (h) The contract shall contain a notice in at least 8-point
6 boldface type, acknowledged by the buyer, that reads as follows:

7
8 “If you have a complaint concerning this sale, you should try
9 to resolve it with the seller.

10 Complaints concerning unfair or deceptive practices or methods
11 by the seller may be referred to the city attorney, the district
12 attorney, or an investigator for the Department of Motor Vehicles,
13 or any combination thereof.

14 After this contract is signed, the seller may not change the
15 financing or payment terms unless you agree in writing to the
16 change. You do not have to agree to any change, and it is an unfair
17 or deceptive practice for the seller to make a unilateral change.

18
19 _____
20 Buyer’s Signature”
21

22 (i) (1) The contract shall contain an itemization of any
23 insurance included as part of the amount financed disclosed
24 pursuant to paragraph (3) of subdivision (a) and of any insurance
25 included as part of the finance charge. The itemization shall
26 identify the type of insurance coverage and the premium charged
27 therefor, and, if the insurance expires before the date of the last
28 scheduled installment included in the repayment schedule, the
29 term of the insurance shall be stated.

30 (2) If any charge for insurance (other than for credit life or
31 disability) is included in the contract balance and disbursement of
32 any part thereof is to be made more than one year after the date of
33 the conditional sale contract, any finance charge on the amount to
34 be disbursed after one year shall be computed from the month the
35 disbursement is to be made to the due date of the last installment
36 under the conditional sale contract.

37 (j) (1) Except for contracts in which the finance charge or
38 portion thereof is determined by the simple-interest basis and the
39 amount financed disclosed pursuant to paragraph (8) of
40 subdivision (a) is more than two thousand five hundred dollars

1 (\$2,500), the dollar amount of the disclosed finance charge ~~shall~~
2 *may* not exceed the greater of:

3 (A) (i) One and one-half percent on so much of the unpaid
4 balance as does not exceed two hundred twenty-five dollars
5 (\$225), $1\frac{1}{6}$ percent on so much of the unpaid balance in excess of
6 two hundred twenty-five dollars (\$225) as does not exceed nine
7 hundred dollars (\$900) and $\frac{5}{6}$ of 1 percent on so much of the
8 unpaid balance in excess of nine hundred dollars (\$900) as does not
9 exceed two thousand five hundred dollars (\$2,500); or

10 (ii) One percent of the entire unpaid balance; multiplied in
11 either case by the number of months (computed on the basis of a
12 full month for any fractional month period in excess of 15 days)
13 elapsing between the date of the contract and the due date of the
14 last installment; or

15 (B) If the finance charge is determined by the precomputed
16 basis, twenty-five dollars (\$25); or

17 (C) If the finance charge or a portion thereof is determined by
18 the simple-interest basis:

19 (i) Twenty-five dollars (\$25) if the unpaid balance does not
20 exceed one thousand dollars (\$1,000).

21 (ii) Fifty dollars (\$50) if the unpaid balance exceeds one
22 thousand dollars (\$1,000) but does not exceed two thousand
23 dollars (\$2,000).

24 (iii) Seventy-five dollars (\$75) if the unpaid balance exceeds
25 two thousand dollars (\$2,000).

26 (2) The holder of the contract ~~shall~~ *may* not charge, collect, or
27 receive a finance charge which exceeds the disclosed finance
28 charge, except to the extent (A) caused by the holder's receipt of
29 one or more payments under a contract which provides for
30 determination of the finance charge or a portion thereof on the
31 365-day basis at a time or times other than as originally scheduled
32 whether or not the parties enter into an agreement pursuant to
33 Section 2982.3, (B) permitted by paragraph (2), (3), or (4) of
34 subdivision (c) of Section 226.17 of Regulation Z, or (C) permitted
35 by subdivisions (a) and (c) of Section 2982.8.

36 (3) If the finance charge or a portion thereof is determined by
37 the simple-interest basis and the amount of the unpaid balance
38 exceeds five thousand dollars (\$5,000), the holder of the contract
39 may, in lieu of its right to a minimum finance charge under
40 subparagraph (C) of paragraph (1), charge, receive, or collect on

1 the date of the contract an administrative finance charge not to
2 exceed seventy-five dollars (\$75), provided that the sum of the
3 administrative finance charge and the portion of the finance charge
4 determined by the simple-interest basis shall not exceed the
5 maximum total finance charge permitted by subparagraph (A) of
6 paragraph (1). Any administrative finance charge which is
7 charged, received, or collected by a holder shall be deemed a
8 finance charge earned on the date of the contract.

9 (4) ~~When~~ *If* a contract provides for unequal or irregular
10 payments, or payments on other than a monthly basis, the
11 maximum finance charge shall be at the effective rate provided for
12 in paragraph (1), having due regard for the schedule of
13 installments.

14 (k) The contract may provide that for each installment in
15 default for a period of not less than 10 days the buyer shall pay a
16 delinquency charge in an amount not to exceed in the aggregate 5
17 percent of the delinquent installment, which amount may be
18 collected only once on any installment regardless of the period
19 during which it remains in default. Payments timely received by
20 the seller under an extension or deferral agreement ~~shall~~ *may* not
21 be subject to a delinquency charge unless the charge is permitted
22 by Section 2982.3. The contract may provide for reasonable
23 collection costs and fees in the event of delinquency.

24 (l) Notwithstanding any provision of a contract to the contrary,
25 the buyer may pay at any time before maturity the entire
26 indebtedness evidenced by the contract without penalty. In the
27 event of prepayment in full:

28 (1) If the finance charge was determined on the precomputed
29 basis, the amount required to prepay the contract shall be the
30 outstanding contract balance as of that date, provided, however,
31 that the buyer shall be entitled to a refund credit in the amount of
32 the unearned portion of the finance charge, except as provided in
33 paragraphs (3) and (4). The amount of the unearned portion of the
34 finance charge shall be at least as great a proportion of the finance
35 charge, including any additional finance charge imposed pursuant
36 to Section 2982.8 or other additional charge imposed because the
37 contract has been extended, deferred, or refinanced, as the sum of
38 the periodic monthly time balances payable more than 15 days
39 after the date of prepayment bears to the sum of all the periodic
40 monthly time balances under the schedule of installments in the

contract or, if the contract has been extended, deferred, or refinanced, as so extended, deferred, or refinanced. ~~Where~~ *If* the amount of the refund credit is less than one dollar (\$1), no refund credit need be made by the holder. Any refund credit may be made in cash or credited to the outstanding obligations of the buyer under the contract.

(2) If the finance charge or a portion thereof was determined on the simple-interest basis, the amount required to prepay the contract shall be the outstanding contract balance as of that date, including any earned finance charges which are unpaid as of that date and, if applicable, the amount provided in paragraph (3), and provided further that in cases where a finance charge is determined on the 360-day basis, the payments theretofore received will be assumed to have been received on their respective due dates regardless of the actual dates on which the payments were received.

(3) Where the minimum finance charge provided by subparagraph (B) or subparagraph (C) of paragraph (1) of subdivision (j), if either is applicable, is greater than the earned finance charge as of the date of prepayment, the holder shall be additionally entitled to the difference.

(4) The provisions of this subdivision ~~shall~~ *may* not impair the right of the seller or the seller's assignee to receive delinquency charges on delinquent installments and reasonable costs and fees as provided in subdivision (k) or extension or deferral agreement charges as provided in Section 2982.3.

(5) Notwithstanding any provision of a contract to the contrary, whenever the indebtedness created by any contract is satisfied prior to its maturity through surrender of the motor vehicle, repossession of the motor vehicle, redemption of the motor vehicle after repossession, or any judgment, the outstanding obligation of the buyer shall be determined as provided in paragraph (1) or (2); ~~provided further that the~~. *Notwithstanding, the* buyer's outstanding obligation shall be computed by the holder as of the date the holder recovers the value of the motor vehicle through disposition thereof or judgment is entered or, if the holder elects to keep the motor vehicle in satisfaction of the buyer's indebtedness, as of the date the holder takes possession of the motor vehicle.

1 (m) Notwithstanding any other provision of this chapter to the
2 contrary, any information required to be disclosed in a conditional
3 sale contract under this chapter may be disclosed in any manner,
4 method, or terminology required or permitted under Regulation Z,
5 as in effect at the time that disclosure is made, except that permitted
6 by paragraph (2) of subdivision (c) of Section 226.18 of
7 Regulation Z, provided that all of the requirements and limitations
8 set forth in subdivision (a) of this section are satisfied. ~~Nothing in~~
9 ~~this chapter prohibits~~ *does not prohibit* the disclosure in that
10 contract of additional information required or permitted under
11 Regulation Z, as in effect at the time that disclosure is made.

12 (n) If the seller imposes a fee for document preparation, the
13 contract shall contain a disclosure that the fee is not a
14 governmental fee.

15 (o) ~~No~~ A seller may *not* impose an application fee for a
16 transaction governed by this chapter.

17 (p) The seller or holder may charge and collect a fee not to
18 exceed fifteen dollars (\$15) for the return by a depository
19 institution of a dishonored check, negotiated order of withdrawal,
20 or share draft issued in connection with the contract, if the contract
21 so provides or if the contract contains a generalized statement that
22 the buyer may be liable for collection costs incurred in connection
23 with the contract.

24 (q) The contract shall disclose on its face, by printing the word
25 “new” or “used” within a box outlined in red, that is not smaller
26 than one-half inch high and one-half inch wide, whether the
27 vehicle is sold as a new vehicle, as defined in Section 430 of the
28 Vehicle Code, or a used vehicle, as defined in Section 665 of the
29 Vehicle Code.

30 (r) The contract shall contain a notice with a heading in at least
31 12-point bold type and the text in at least 10-point bold type,
32 circumscribed by a line, immediately above the contract signature
33 line, that reads as follows:

34



THERE IS NO COOLING OFF PERIOD

California law does not provide for a “cooling off” or other cancellation period for vehicle sales. Therefore, you cannot later cancel this contract simply because you change your mind, decide the vehicle costs too much, or wish you had acquired a different vehicle. After you sign below, you may only cancel this contract with the agreement of the seller or for legal cause, such as fraud.

SEC. 2. Section 2982.5 of the Civil Code is amended to read:

2982.5. (a) Nothing contained in this chapter shall be deemed to affect a loan, or the security therefor, between a purchaser of a motor vehicle and a supervised financial organization, other than the seller of the motor vehicle, all or a portion of which loan is used in connection with the purchase of a motor vehicle. As used ~~herein~~ *in this chapter* “supervised financial organization” means a person organized, chartered, or holding a license or authorization certificate under a law of this state or the United States to make loans and subject to supervision by an official or agency of this state or the United States.

(b) Nothing in this chapter shall be deemed to prohibit the seller’s assisting the buyer in obtaining a loan upon any security from any third party to be used as a part or all of the downpayment or any other payment on a conditional sale contract or purchase order; provided that the conditional sale contract sets forth on its face the amount of the loan, the finance charge, the total thereof, the number of installments scheduled to repay the loan and the amount of each installment, that the buyer may be required to pledge security for the loan, which security ~~must~~ *shall* be mutually agreed to by the buyer and the lender and notice to the buyer in at least eight-point type that he or she is obligated for the installment payments on both the conditional sale contract and the loan. The seller ~~shall~~ *may* not provide any security or other guarantee of payment on the loan, nor shall the seller receive any commission or other remuneration for assisting the buyer to obtain the loan. If the buyer obligates himself *or herself* to purchase, or receives possession of, the motor vehicle prior to securing the loan, and if the buyer upon appropriate application for the loan is unable to

1 secure the loan, on the conditions stated in the conditional sale
2 contract, the conditional sale contract or purchase order shall be
3 deemed rescinded and all consideration thereupon shall be
4 returned by the respective parties without demand.

5 (c) The proceeds of any ~~such~~ loan payable to the seller after the
6 date of the contract but prior to the due date of the second payment
7 otherwise scheduled thereunder ~~shall~~ *may* not be subject to a
8 finance charge and the amount thereof shall be disclosed pursuant
9 to subparagraph ~~(B)~~ (D) of paragraph (6) of subdivision (a) of
10 Section 2982.

11 ~~(d) Nothing in this chapter shall~~ *may not* be deemed to
12 prohibit the seller's assisting the buyer in obtaining a loan from
13 any third party to be used to pay for the full purchase price, or any
14 part thereof, of a motor vehicle ~~provided that, if~~ each of the
15 following provisions ~~shall apply~~ *applies*:

16 (1) The loan may be upon any security, but except as provided
17 in paragraph (2), the loan ~~shall~~ *may* not be secured in whole or in
18 part by a lien on real property. Any lien on real property taken in
19 violation of this section shall be void and unenforceable.

20 (2) A lien on real property may be taken to secure a loan of
21 seven thousand five hundred dollars (\$7,500) or more used to pay
22 the full purchase price, or any part thereof, of a recreational
23 vehicle, as defined in Section 18010 of the Health and Safety
24 Code, which is not less than 20 feet in length.

25 (3) The provisions of Sections 2983.2, 2983.3, and 2984.4
26 shall apply to the loan, but ~~shall~~ *may* not authorize the lender or the
27 lender's successor in interest to charge for any costs, fees, or
28 expenses or to obtain any other benefit which the lender is
29 prohibited from charging or obtaining under any regulatory law
30 applicable to the lender. Notwithstanding this paragraph, the
31 provisions of Sections 2983.2 and 2983.3 ~~shall~~ *may* not apply to
32 a loan made by a lender licensed under Division 9 (commencing
33 with Section 22000) or Division 10 (commencing with Section
34 24000) of the Financial Code.

35 (4) The lender or the lender's successor in interest shall be
36 subject to all claims and defenses which the buyer could assert
37 against the seller, but liability may not exceed the amount of the
38 loan.

39 (5) If the buyer becomes obligated to purchase, or receives
40 possession of, the motor vehicle prior to obtaining the loan, the

1 agreement between the buyer and the seller shall set forth on its
2 face the amount of the loan, the finance charge, the total thereof,
3 the number of installments scheduled to repay the loan and the
4 amount of each installment, that the buyer may be required to
5 pledge security for the loan, which security must be mutually
6 agreed to by the buyer and the lender, and notice to the buyer in at
7 least eight-point type that the buyer is obligated for the installment
8 payments on the loan and for any payments which may be due on
9 the agreement between the buyer and the seller. The seller ~~shall~~
10 *may* not provide any security or other guarantee of payment on the
11 loan, and the seller ~~shall~~ *may* not receive any commission or other
12 remuneration for assisting the buyer to obtain the loan. If the buyer
13 upon proper application for the loan is unable to obtain the loan,
14 on the condition stated in the agreement between the buyer and the
15 seller, the agreement shall be deemed rescinded and all
16 consideration thereupon shall be returned by the respective parties
17 without demand.

18 (6) Any waiver by the buyer of the provisions of this section
19 shall be void and unenforceable.

20 This subdivision ~~shall~~ *does* not apply to state or federally
21 chartered banks and savings and loan associations and ~~shall~~ *may*
22 not be construed to affect existing law regarding a seller's assisting
23 a buyer to obtain a loan from a bank or savings and loan association
24 or any loan obtained by the buyer from those lenders.

25 SEC. 3. Section 2985.8 of the Civil Code is amended to read:

26 2985.8. (a) Every lease contract shall be in writing and the
27 print portion of the contract shall be printed in at least eight-point
28 type and shall contain in a single document all of the agreements
29 of the lessor and lessee with respect to the obligations of each party.

30 (b) At the top of the lease contract, a title which contains the
31 words "LEASE CONTRACT" or "LEASE AGREEMENT"
32 shall appear in at least 12-point bold type.

33 (c) Every lease contract shall disclose all of the following:

34 (1) All of the information prescribed by Regulation M set forth
35 in the manner required or permitted by Regulation M, whether or
36 not Regulation M applies to the transaction.

37 (2) A separate statement labeled "Itemization of Gross
38 Capitalized Cost" that shall appear immediately following or
39 directly adjacent to the disclosures required to be segregated by

- 1 Regulation M. The Itemization of Gross Capitalized Cost shall
2 include all of the following and shall be circumscribed by a line:
- 3 (A) The agreed-upon value of the vehicle as equipped at the
4 time of signing the lease.
- 5 (B) The agreed-upon value and a description of each accessory
6 and item of optional equipment the lessor agrees to add to the
7 vehicle after signing the lease.
- 8 (C) The premium for each policy of insurance.
- 9 (D) The amount charged for each service contract.
- 10 (E) Any charge for an optional debt cancellation agreement.
- 11 (F) Any outstanding prior credit or lease balance.
- 12 (G) *The amount of any optional business partnership*
13 *automation program fee to register or transfer the vehicle.*
- 14 (H) An itemization by type and agreed-upon value of each
15 good or service included in the gross capitalized cost other than
16 those items included in the disclosures required in subparagraphs
17 (A) to ~~(F)~~ (G), inclusive.
- 18 (3) The vehicle identification number of the leased vehicle.
- 19 (4) A brief description of each vehicle or other property being
20 traded in and the agreed-upon value thereof if the amount due at
21 the time of signing the lease or upon delivery is paid in whole or
22 in part with a net trade-in allowance or the “Itemization of Gross
23 Capitalized Cost” includes any portion of the outstanding prior
24 credit or lease balance from the trade-in property.
- 25 (5) The fee, if any, to be retained by the lessor for document
26 preparation, which fee ~~shall~~ *may* not exceed forty-five dollars
27 (\$45) and ~~shall~~ *may* not be represented as a governmental fee.
- 28 (d) Every lease contract shall contain, in at least eight-point
29 bold type, above the space provided for the lessee’s signature and
30 circumscribed by a line, the following notice: “(1) Do not sign this
31 lease before you read it or if it contains any blank spaces to be filled
32 in; (2) You are entitled to a completely filled in copy of this lease;
33 (3) Warning—Unless a charge is included in this lease for public
34 liability or property damage insurance, payment for that coverage
35 is not provided by this lease.”
- 36 (e) Every lease contract shall contain, in at least eight-point
37 bold type, on the first page of the contract and circumscribed by
38 a line, the following notice:
39

1 “THERE IS NO COOLING OFF PERIOD

2
3 California law does not provide for a “cooling off” or other
4 cancellation period for vehicle leases. Therefore, you cannot later
5 cancel this lease simply because you change your mind, decided
6 the vehicle costs too much, or wish you had acquired a different
7 vehicle. You may cancel this lease only with the agreement of the
8 lessor or for legal cause, such as fraud.”
9

10 (f) Every lease contract shall contain, in at least eight-point
11 bold type, the following notice: “You have the right to return the
12 vehicle, and receive a refund of any payments made if the credit
13 application is not approved, unless nonapproval results from an
14 incomplete application or from incorrect information provided by
15 you.”

16 (g) The lease contract shall be signed by the lessor and lessee,
17 or their authorized representatives, and an exact copy of the fully
18 executed lease contract shall be provided to the lessee at the time
19 of signing.

20 (h) No motor vehicle shall be delivered under a lease contract
21 subject to this chapter until the lessor provides to the lessee a fully
22 executed copy of the lease contract.

23 (i) The lessor ~~shall~~ may not obtain the signature of the lessee to
24 a contract when it contains blank spaces to be filled in after it has
25 been signed.

26 (j) If the lease contract contains a provision that holds the lessee
27 liable for the difference between (1) the adjusted capitalized cost
28 disclosed in the lease contract reduced by the amounts described
29 in subparagraph (A) of paragraph (5) of subdivision (b) of Section
30 2987 and (2) the settlement proceeds of the lessee’s required
31 insurance and deductible in the event of theft or damage to the
32 vehicle that results in a total loss, the lease contract shall contain
33 the following notice in at least eight-point boldface type on the first
34 page of the contract:
35

36 “GAP LIABILITY NOTICE

37
38 In the event of theft or damage to the vehicle that results in a total
39 loss, there may be a GAP between the amount due upon early
40 termination and the proceeds of your insurance settlement and

1 deductible. THIS LEASE PROVIDES THAT YOU ARE
2 LIABLE FOR THE GAP AMOUNT. Optional coverage for the
3 GAP amount may be offered for an additional price.”
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